

Chapter 13

1955 Giveaway Treaty Jammed Through— “Mutual Consent” Is Only Way Out

Diplomatic conversations over Panama's demands for further treaty revision continued in Washington from September 10, 1953, until the end of 1954. But, for the most part, details were “top secret” at both ends, even after President Jose Antonio Remon and his attractive Senora, with an entourage of ten, arrived in Washington in late September, 1953, and remained for a fortnight. Remon told 300 guests of the Pan American Society in New York, October 2, 1953: “I didn't come to this country to ask for money; I came to ask for justice, and by justice I mean Panama should receive its proper share of the great enterprise that is the Canal.”

To accelerate its diplomatic drive, the Remon Administration retained two retired United States Army public relations experts, Generals Julius Klein and Kenneth Buchanan of Chicago. The “nature and purpose” of their employment, as recorded in the Foreign Agents Registration Section of the Department of Justice in Washington, was to

serve the government of Panama "as public relations counsel with regard to its (Panama's) efforts and aims to bring about a satisfactory adjustment of its relations with the U.S.A. by way of treaty amendment and other forms of aid."

Total recorded fees and expenses of these experts from the date of their engagement up to the termination of their employment, December 31, 1953, amounted to \$20,245.22.

The Remons' visits in Washington and New York created favorable impressions. By midsummer of 1954 the fact that the United States had been kicked off its defense bases in Panama had faded into the background of publicity over Panama's being blessed for the first time in many years with what appeared to be a stable government.

The treaty negotiators, trying hard to earn their \$50 daily allowances, did their best to prove that a profitable, cooperative partnership between the United States and the Republic of Panama was now possible. They pointed to many acts of genuine friendship under the Remon regime. His Congress had outlawed Communism. He had fired notorious Red teachers. Apparently good use was being made of big loans and of more than a million dollars a year of United States "technical cooperation" funds applied, with many American technicians, to Panamanian agriculture, education, housing, public health and social welfare. They needed 100 more social workers!

Most pressing, at that time, was Panama's desire to increase the United States annuity for use of the Canal Zone from \$430,000 to a minimum of \$5,000,000 or to 20 per cent of gross canal tolls, then around \$37,500,000 a year. Panamanian radicals didn't begin until later demanding "at least 50/50 division."

My comment then, in a National Economic Council Letter which Senator Thomas E. Martin placed in the *Congressional Record*, August 20, 1954, seems, in retrospect, to explain a perpetual thought in the little Republic:

Don't blame Panama's statesmen. Theirs is only the UN-iversal urge — "Get all you can from Uncle Sam!" In

order to hold their political jobs they must tell the populace that their little country is entitled to a "fair share" in what they represent to be an "enormously profitable" canal enterprise. Gross tolls are the talking point, not the small net.

By midsummer of 1954 the treaty negotiators' delays were causing Panamanian patience to wear thin. Typical of the intermittent meddling from partisans in Panama was a letter in *Newsweek*, signed by a Panamanian, warning the United States:

Pressure is building up in Panama among the masses Many are asking themselves how long will President Remon be able to continue without explaining to the public why negotiations should be delayed so long Imagine the repercussions should Panama decide after, say, one year of ineffectual negotiation, to recall their mission.

President Remon was quoted as saying he would not retreat one step from his demand for "justice" from the United States. But a Panamanian assassin's bullet, January 2, 1955, did not permit him to witness his triumph. And, up to this writing, his assassins have not been punished. The treaty, which gave Panama almost everything Remon had demanded, was signed in Washington, January 25, 1955; ratified by Panama March 15, 1955 and sent to the United States Senate on May 9, 1955.

State Department negotiators rejected the Panamanians' demand to terminate at the end of 99 years United States rights in the Canal Zone, granted *in perpetuity* by the 1903 treaty. Panama's disappointment was voiced in an 8-column headline across the front page of the *Panama Star & Herald*, February 3, 1955: "U.S. Rejected Time Limit on C.Z. Concession."

But in the United States, secrecy which shrouded these vital negotiations for sixteen months was scarcely penetrated by the North American press, either during the deliberations of the Senate Committee on Foreign Relations or after ratification of the giveaway, July 29, 1955.

The Senate's inadequate consideration of the long, involved giveaway treaty and its "Memorandum of Understandings" occupied only a fraction of the one day, July 29, 1955, when ratification was rushed through. The Rhodes scholar Senator Fulbright of Arkansas, in his leading argument for ratification, assured the Senate that the treaty "establishes the framework for the basic relationship between the United States and the Republic of Panama" and that "the treaty does not affect our present rights and relations in any respect whatsoever."

Senator Russell of Georgia repeatedly questioned the wisdom of ratification. Otherwise what passed for "debate" failed to show up the seriousness of commitments made by the State Department negotiators.

As Panamanian demands pile up in the future — as they have continually ever since ratification — this brief quotation from Senator Russell's argument against ratification will be worth remembering:

I reiterate that the Department of Defense never thinks of challenging the Department of State or interfering in any way in any international negotiations. That has been true of all negotiations we have had in the past two years.

If I had the privilege of appointing someone in the Department of Defense I would have cautioned him, when he came to consider a treaty having to do with the Panama Canal, to get some agreement *that would not bleed us white*, if we had to get some land outside the zone, in the event of another war . . . while we were committing ourselves to these increased payments, we should have some room to stand and fight, in the event of another war, rather than having to pay a large rental for additional ground.

Ratification was voted, 72 to 14. Senators voting to reject the giveaway treaty were Byrd, Case of South Dakota, Ervin, Gore, Jackson, Johnston of South Carolina, Kerr, Long, Magnuson, Neuberger, Robertson, Russell, Stennis and Thurmond.

The most conspicuous concessions to Panama, thus ratified by the United States Senate, were:

1. Increased the United States annuity to Panama from \$430,000 (originally \$250,000 before gold dollar devaluation) to \$1,930,000. This must mean either increased tolls, burdening all shipping, or increased drain on American taxpayers. American ship owners were already protesting that tolls were too high, and were preparing their suit to compel a reduction. (They lost their appeal to the U.S. Supreme Court, April 28, 1958.)
2. Gave Panama, without compensation, waterfront and other properties, including Panama Railroad's yards and terminals in the cities of Colon and Panama, of an "estimated fair market value," as stated by our government of \$24,300,000. These gifts included the Hotel Washington in Colon, worth \$1,450,000; Colon Hospital, market value \$1,400,000, and many other parcels.
3. Agreed to ask Congress to appropriate and authorize building a bridge across the Panama Canal to replace the Thatcher Ferry, estimated to cost up to \$27,000,000.

The proposed giving away of the Panama Railroad properties fitted into plans of the then top management of the Panama Canal to abandon the railroad and replace it with a new truck highway. Congress decided that the Panama Railroad should be kept, but permitted the Canal management to give to Panama the railroad terminals in Panama and Colon.

Other concessions to Panama were designed to restrict American and extend Panamanian rights in respect to commissary privileges, trade advantages, wage differentials, taxation, etc.

Panama's principal token return for all the treaty concessions was "the right to use, for a period of fifteen years without cost," as a military training and maneuver base the old

Rio Hato base west of the Canal Zone. Extension after 15 years is subject to "agreement between the two governments."

But Panamanian law and sovereignty over the Rio Hato area was not affected. American soldiers, ordered to drill there, lost the protection of their own country, just as United States forces in other parts of the world lost their rights under the Status of Forces Treaty.

Deep-rooted problems affecting the entire future of the Panama Canal are tied into the strait-jacket of the "Treaty of 1955" — which may be modified, as its predecessor treaties between the United States and the Republic of Panama have been modified, *only by "mutual consent."*

Chapter 14

Just Who Are Backing the Drives to Internationalize, and to Nationalize

Nasser's July 26, 1956, seizure of the Suez Canal and, six months later, his "Egyptianization by seizure" of all British and French financial institutions in his country, shocked an unsuspecting and unprepared world.

Equally unsuspecting and unprepared for a continuing crisis in their own area were those North Americans whose eyes have been on Europe, on NATO, on the Far East and the Middle East, while their usual sources of intelligence failed to alert them to the extent of the propaganda for *internationalization* — even for *nationalization by Panama* — of the Panama Canal. On the heels of the Suez crisis Panama began anew to proclaim that it has sovereign rights over the Canal Zone and will never surrender them.

The agitation for internationalizing or for "Panamanianizing" the Panama Canal has been astonishingly better known in Latin America than in the United States. North Americans have taken too long for granted that the canal is working well, that it is safe as a lifeline of national defense,

and that United States relations with Latin American neighbors have been steadily improving. President Eisenhower's presence at the InterAmerican Conference of Chief Executives at Panama in July, 1956, followed immediately by Secretary of State John Foster Dulles' goodwill mission farther south, was interpreted as signifying that Franklin Delano Roosevelt's "Good Neighbor Policy" was being surely revitalized.

The cap sheaf, so far as North American readers and listeners knew, was President Eisenhower's recommendation at Panama that the twenty-one American Republics should coordinate their planning through one central committee to report to the Organization of American States. Such a committee met in Washington and, on September 19, 1956, under the chairmanship of the President's brother, Dr. Milton Eisenhower, drew up a list of problems, for future consideration, requiring technical assistance and economic aid. As the reader may guess, all of that aid would come out of the pockets of United States taxpayers.

It may have been only by coincidence that Luis Quintanilla, Mexican career diplomat, was noticeably active behind the scenes of the Panama Conference of 1956. He was minister, then ambassador, to Moscow, 1942-45 — a period when the coloration of the Mexican government attracted foreign attention. I was told by highly informed authority that Quintanilla's friendship for the Soviet Hierarchy was so pronounced that it set badly with anti-Communist members of the Organization of American States and impeded his advancement in that body.

It happened — or did it just *happen*? — that the Conference of Chief Executives of the Western Hemisphere was projected for the very week when Nasser was to seize the Suez Canal. If Nasser had "planned it that way" he could not have plotted a more effective diversion of attention from his own objective. The Moscow-directed center in Prague for training Communist spies and infiltration experts was then busy preparing for more deviltry in Latin America.

The Prague activity was disclosed to American readers in a dispatch from Bonn, Germany, released by the *North American Newspaper Alliance* under the by-line of Omer Anderson.

This dispatch from Bonn was headlined in Washington, in *The Evening Star* of September 13, 1956: "RED PLOT AGAINST U.S. ON PANAMA CANAL." It detailed Red plans to spread anti-United States propaganda lies throughout Latin America and to use the Panama Canal as its most effective hate vehicle.

And, eight months later, the alert *Evening Star* front-paged the news on May 3, 1957, that Moscow radio, broadcasting in Spanish, warned Mexico and Central America that American military maneuvers around the Panama Canal in April of 1957 were "intended to frighten the people of Panama, who insist on return of territories occupied by the United States."

Agitation for internationalization of the Panama Canal is not a new, although a little known, story. As far back as 1946 Red lanterns lighted its beginning. The Suez crisis, after a lapse of ten years, threw new light on that spectrum.

Twenty days after the Suez seizure, Ralph E. Flanders, then a Republican United States Senator of Vermont, stated publicly in Victoria, B.C., on August 15, 1956, that internationalization of the Panama Canal could ease the Egyptian crisis.

Again on September 9, at Swarthmore, Pennsylvania, addressing the Society for Social Responsibility in Science, Senator Flanders as reported in *The New York Times* of September 10, 1956, said internationalization of the Panama Canal would give Nasser a "face-saving precedent" for agreeing to internationalization of Suez.

Also James P. Warburg, ex-banker, prolific author and son of the late Paul M. Warburg, in a 400-word letter in *The New York Times* of September 12, 1956, urged that the Panama Canal be placed "under international or United

Nations control" as "a bridge over which President Nasser could, without losing face, retreat from his present refusal to accept a similar control over the Suez waterway."

Warburg renewed his campaign in a column-long letter in *The New York Times* of January 5, 1957, and later in speeches, in a conspicuously promoted radio interview, and in a signed article in a left-wing magazine called *The Reporter*. Senator Hubert M. Humphrey, Democrat of Minnesota, introduced the magazine article in the *Congressional Record* of March 25, 1957, and a long Warburg speech expanding the same theme. The United Press spread the Warburg letter of January 5, 1957, into Latin American newspapers. So did propaganda multiply.

For the sake of historical accuracy I asked Senator Flanders whether he or Warburg was the father of the idea, since it appeared almost simultaneously. The Senator replied that he "made the first suggestion in Victoria, B.C. on August 15" and that he was "quite unfamiliar at the time with any position that Mr. Warburg had taken."

But the Vermont Senator did not lead the publicity parade. One week ahead of him, on August 9, 1956, former President Harry S. Truman recommended to the Democratic National Convention in Chicago that the Suez and Panama canals be placed in the jurisdiction of the United Nations. This drew a front-page headline in *The Washington Post* of August 10: "TRUMAN URGES CONTROL OF VITAL CANALS BY UN."

The Chicago dispatch said Truman "told the Democratic Platform Committee that when he was at the Potsdam Conference in 1945 he had suggested and argued without success for two days in favor of making international waterways out of the Panama Canal, the Suez Canal, the Black Sea Straits, the Rhine-Danube Canal and the Kiel Canal."

Secretary of State Dulles countered the Truman publicity by a press conference assertion that a search of State Department records of the Potsdam Conference showed no such statement by Truman. Still Drew Pearson in his syn-

icated column published in Washington on January 4, 1957, said Truman had told him in an interview as early as February 19, 1956, that he, Truman, would have put both Suez and Panama under the United Nations.

And Truman in a copyrighted signed article released by the *North American Newspaper Alliance* and published widely on January 13, 1957, reiterated in substance his earlier assertion. He said that at Potsdam he urged that all the canals be made "free waterways for merchant shipping."

Another case of "internationalitis" broke out on the January 20, 1957, editorial page of *The Washington Post*, Eugene Meyer's richly financed daily, the only morning newspaper in the nation's capital. "LET UN GUARANTEE ALL BIG WATERWAYS" was the head over Herbert Elliston's "Second Look" — the title he used on his column as contributing editor.

Born in England in 1895, Herbert Berridge Elliston started his widely varied career on small English dailies. He came to the United States in 1921. As listed in *Who's Who*, he was economic advisor to the Chinese Government, 1923-27; research economist of the Council on Foreign Relations, New York, 1927-30; financial editor and columnist of *The Christian Science Monitor*, Boston, 1930-40, and since 1940 either editor or contributing editor of *The Washington Post*.

(The *Who's Who* listing was inaccurate. Young Elliston was only the assistant to the advisor, not of the Chinese Government but of Chang Tso-lin, pro-Communist war lord of Manchuria. A sympathetic attitude toward Chinese Communists carried over noticeably into some of Elliston's editorial pages in Washington.)

Elliston argued that "the time is now ripe to revive the Potsdam 1945 idea for . . . all major international waterways . . . and a supervision of tolls undertaken by the United Nations . . . How would this affect the Panama Canal Zone? The juridical sovereign is the Republic of Pan-

ama, but the United States retains control of the zone in a partnership agreement with Panama signed in 1936. There need be no change in the arrangement."

Late, by seven months, in joining the 1956 clique for "internationalizing" the Panama Canal was Congressman James Roosevelt, of Los Angeles, son of the President who started in 1936 giving away United States treaty rights in Panama. Press association dispatches from Chicago, March 25, 1957, quoted Roosevelt as telling a bond drive that the United States should turn over its Canal to the United Nations provided Nasser will throw in Suez, and that "we can't expect one nation to agree to give up its sovereign power unless we are willing to do the same thing."

The Americas Daily, published in Miami Springs, Florida, and widely distributed by airmail, in bold front-page headlines spread the James Roosevelt proposal across Latin America.

This internationalization propaganda inched steadily ahead in 1956 and 1957, although it received slight attention from North Americans. But Britain's Labor Party leaders, Clement Atlee and Hugh Gaitskell, year-end visiting lecturers in the United States, contributed to university students in Ann Arbor and Cambridge their advice that Uncle Sam should give his Panama Canal to the United Nations.

This same line of propaganda for internationalizing the Panama Canal was reiterated by Truman and Clement Atlee in a filmed TV interview by Edward R. Murrow over the Columbia Broadcasting System on November 30, 1958.

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Historians may in time run to earth the paternity of this giveaway idea. For now, let us see how Dictator Nasser's example of canal expropriation inspired Panamanian youth — those who will be the Panamanian politicians with whom Uncle Sam will have to reckon in the future. In their kindly tropical atmosphere both "giveaway" and "getmore" flourish.

"Panamanian Students Declare Their Position Regarding Canal Problems" was the bold headline on page one of the

September 7, 1956 issue of *The Americas Daily*. A 250-word dispatch, dated Panama, gave details of "declarations approved by the University Students General Assembly."

Their first demand was for the Government of Panama to denounce the Hay-Bunau-Varilla Treaty of 1903 "as against international law and the most elementary principles of equity and justice."

(Panamanian youth might well have been reminded that wiping out the original treaty might leave their country in its former status as a province or department of Colombia.)

Next in significance, the Student Assembly resolved "to recognize that Egypt, in nationalizing the Suez Canal, acted in legitimate exercise of its sovereign rights."

Looking to the future, the Student Assembly called for creation of a National Assembly of prominent citizens to formulate national thinking on international problems, and for the appointment of a commission of university professors and students to "study and consider the different aspects of a possible nationalization or internationalization of the Panama Canal."

In a final burst of patriotic enthusiasm the Student Assembly resolved —

"to declare that we Panamanians express our inviolable determination to nationalize the Panama Canal as a permanent aspiration."

The seeds of Panamanian discontent, scattered to the winds by the Student Assembly, sprouted in March, 1957, in an International Conference on Interoceanic Canals sponsored by the University of Panama. Intellectuals were present from Mexico, the Central American countries and Cuba, but representatives of the United States were not mentioned in press reports of the round table sessions.

Some conflicting opinions were expressed, but the *United Press* reported "an agreement in certain degree about Panama's right to revision of her treaties with the United

States.” Cesar Quintero, of Panama, was among those demanding abrogation of rights “in perpetuity” in the Canal Zone granted to the United States in the Hay-Bunau-Varilla Treaty of 1903. Former Foreign Minister Octavio Fábrega, who led Panama’s negotiators in wangling the 1955 giveaway treaty out of the State Department, said the “perpetuity” grant should be considered invalid because inconsistent with Panamanian sovereignty.

Fabio Fournier, of the University of Costa Rica, was quoted as predicting the creation, possibly by the United Nations, of an international juridic mechanism to prescribe rules for the operation of interoceanic canals.

Although there were no official decisions by this international conference, according to *United Press* reports “the Latin American jurists had, in general, the opinion that Panama should get bigger compensation from the Canal.” Vicente Saenz, of Mexico, was quoted as stating that Panama has the right to claim 50 per cent of the Panama Canal’s revenues after the United States recovers its capital investment.

The United States’ net investment of \$489,162,524 and what the Canal has done for Panama get slight mention when a Red-inspired mob shouts “down with the Yanquis!”

This line of propaganda in the University of Panama’s March, 1957, International Conference on Interoceanic Canals was echoed in a letter to the *Times* of London by Panama’s Ambassador to Britain, Roberto Arias, as quoted by the *United Press* on May 1, 1957: “Panama has never received for the use of its geographic resources a compensation that can be described as just or equitable.”

Confirmation of the extent of such propaganda came to me in May, 1957, from an American businessman just returned from one of his regular visits to his company’s extensive properties in Brazil and Argentina. Also, on April 17, 1957, Representative Daniel J. Flood of Pennsylvania told Congress:

“ recently returning travelers from Latin Ameri-

can countries report wide-spread agitation to get the United States, including its armed forces, out of the Panama area, with the ultimate aim of turning jurisdiction over the Canal enterprise to Panama or the United Nations.

"The pattern of this program is obvious. It conforms to the well-known and long-standing communistic plan to place the United States on the defensive by using the Panama Canal as a psychological lever to cause anti-American feeling as well as to wrest from the United States its authority and control over the Canal."

* * *

How far, how fast, and in what unexpected directions will the Panama Canal "nationalization" and "internationalization" propaganda spread? How serious is it? How dangerous? It is not too late, now, to measure the impact of such propaganda at home as well as abroad.

The Methodist Reporter, an unofficial church organ described by its publishers in Nashville, Tennessee, as "A private news service for the professional leadership of The Methodist Church," printed in its issue of December 4, 1956, the following editorial:

"America's Secret Weapon

"The United States has a secret weapon greater than the H-bomb, but completely harmless to life and limb. If thrown into the touchy Suez situation at this time, it would have a greater effect than all the invading nations or the UN has had.

"Our secret weapon is the Panama Canal. Christian leaders at work in International affairs have proposed for years that the Suez Canal, the Panama Canal, the Straits of Gibraltar, and the Straits of Singapore be put under international control. Principle behind this suggestion is that these waterways are so vital to so many nations that no one nation should have control over them.

"The United States has already placed itself in the role of peacemaker in the Suez fracas. It can now show its complete sincerity and desire for peace by offering to the

United Nations complete control over the Panama Canal. Such an offer would indeed be a bombshell in the midst of Suez crisis. But this is not a give-away.

“This offer should be made only on these conditions:

“(1) The Suez Canal would also be turned over to the complete control of the United Nations.

“(2) That Panama and Egypt receive the same amount of money they have been receiving, as rental for operation of the canals within their respective borders.

“(3) That profits from operations of the canals be used for the budget of the United Nations.

“(4) In the event the United Nations ever becomes extinct or inactive, ownership of the Panama Canal would revert to the United States.

“Details can be worked out by the nations involved. The United States, as a very influential member of the U.N., would still have a large hand in the operation of the Panama Canal; Britain and France, in the same way, would still be active in running the Suez Canal.

“Made in the spirit of peace on earth, good will toward all men, such a gift to the 79 nations in the UN should certainly please the Prince of Peace at this Christmastide. Is it too much to ask of a Christian nation?

“We believe that Methodists, joining hands with other like-minded Christian leaders in the National Council of Churches, could make such a suggestion to President Eisenhower and our State Department immediately.”

The Methodist Reporter's news service was later discontinued, but all such utterances are magnified, distorted and broadcast wherever they serve Red ends. An example of the automatic spreading of such intelligence is the prominence given to a *United Press* quotation from a television interview with United States Senator Mike Mansfield, Democrat of Montana. Casual though his remark may have been, it was scattered over Latin America below two-column front page headlines in the English section and a five-column headline in the Spanish section of *The Americas Daily* of January 8, 1957.

Calling attention to the importance of Mansfield's position as a member of the Senate Committee on Foreign Relations, the dispatch, dated Washington, January 7, quoted the Senator as having said: "The United States could very well start to think about the internationalization of the Panama Canal." Further it said the Montana Senator "affirmed that in his opinion the Canal should be put under the control of the United Nations, 'as nobody can ever say when another Nasser may appear.'"

Senator Mansfield later explained to a constituent that he only said the suggestion of internationalization of the Panama Canal "might be worthy of study" and that he "did not advocate either approval or opposition."

•The frightening seriousness of the internationalization threat was recognized by Senator John Marshall Butler, of Maryland, in a notable address to the Propeller Club of the United States, a national organization of shipping men, at their meeting in Washington on May 22, 1957. He referred to a leftist editor's advocacy of internationalization of the Panama Canal as a "dangerous brand of naive idealism" which "must not be allowed to gain the upper hand in the conduct of our international affairs. I will even go further and say that if the United States internationalizes the Panama Canal . . . it will sign the death warrant for the entire Western Hemisphere."

Senator Butler further said: "It is an established fact that it is a fundamental object of Soviet Russian foreign policy to place the Panama Canal under communist control The key to the control of Central and South America — and eventually the United States — is the Panama Canal. If that waterway can be wrested from American control, communist infiltration into this hemisphere would be manifestly simple The proposal [to place the Canal under the United Nations, with Soviet veto power] should it be carried out, would place the right hand of International Communism at the very throat of the Western Hemisphere."

Chapter 15

Isthmian Uproar Redoubled

The time-bomb planted by Alger Hiss in the United Nations in 1946 branding the Panama Canal Zone as an “occupied territory” became, by 1957, a regular implement for agitation by Panamanian politicians. If they could not get more concessions from Uncle Sam every time they demanded more, they could take their complaints to the United Nations.

Representative Daniel .J Flood, Democrat of Wilkes-Barre, Pennsylvania, member of the House Appropriations Committee and of its sub-committee for the Panama Canal, brought the Panamanian agitation to the attention of Congress on April 17, and again on May 29, 1957. In part he said:

“The diplomatic negotiations with Panama over a number of years have been featured by steady surrenders to that Republic of rights granted to the United States in the 1903 treaty. Despite the very great advantages that accrued to Panama from the 1955 treaty, a so-called In-

ternational Round Table Conference on Interoceanic Canals recently met at Panama with the apparent purpose of further liquidation of the rights of the United States as to the control and protection of the Panama Canal

"During recent weeks much has been published about demands in Panama and other parts of Latin America for denunciation of the perpetuity clauses of the Hay-Bunau-Varilla Treaty, along with claims for increased annuity and other benefits, which must be borne either by the United States or by shipping that pays tolls, or both

"All careful students of the Isthmian question know that the entire independence of Panama grew out of and is based on the Panama Canal. The economic life of that country, in large measure, depends on the Canal enterprise and, with the passage of the years, this dependence will probably increase.

"Agitation about the Panama Canal has long been insidious and thus obscured to the public view, but now it is in the open. Conforming to the objectives of the communist conspiracy to place the United States on the defensive, it is aimed at the Panama Canal for the purpose of wresting its ownership from the United States. Thus the situation created by this propaganda is fraught with diplomatic danger and uncertainty to which the United States must be alert

"The surrenders in the 1936 and 1955 treaties together with other relinquishments have served unfortunately to place the United States in a position without diplomatic bargaining power. As was clearly foreseen by competent students of the subject, who, as far as I can determine, were not consulted in the course of the negotiations, these surrenders could only lead to new demands by Panama for further liquidation of the canal enterprise, the urgings for which are now being loudly voiced.

"Yet, our national administration remains strangely silent on this subject, and sinister propaganda affecting the

future of the Panama Canal is having its full and unre-futed play.”

Representative Flood urged Congress to act upon legislation first proposed in 1953 by Representative, later Senator, Thomas E. Martin, Republican of Iowa, and Representative Clark W. Thompson, Democrat of Texas, and later sponsored by Representative Francis E. Dorn, Republican of New York, and by Representative Flood, himself. Its purpose was to create an independent Inter-oceanic Canals Commission to make a thorough-going investigation of all engineering and diplomatic problems affecting the Panama Canal.

Congress delayed action, but Panama immediately took up Representative Flood's challenge. By this time Ricardo M. Arias, grand-nephew of Tomas Arias of the original Revolutionary Junta of 1903, had filled out the Presidency between Guizado's removal, 13 days after the Remon assassination of January 2, 1955, and the inauguration of Ernesto de la Guardia Jr., October 1, 1956, as Panama's twenty-sixth President. Ricardo Arias was now Panama's Ambassador to Washington. Presumably voicing President de la Guardia's views, Arias in a letter to the *Washington Evening Star*, April 30, 1957, said:

“We have maintained, still maintain and shall continue to maintain that, because we enjoy sovereign rights over the Canal Zone, and have granted the United States only a restricted jurisdiction for certain specific purposes, the United States could not, under any circumstances, sell, transfer, or lease that territory as if it enjoyed the rights of sovereignty over it.”

Representative Flood restated in his address of May 29, 1957, the juridical basis of United States relations with the Republic of Panama. Then, on June 26, 1957, he introduced House Concurrent Resolution 205, and throughout the 1958 session of Congress urged its adoption. In this he was supported by resolutions of the American Legion Department of the Panama Canal and the national convention in Wash-

ington of the Daughters of the American Revolution.

“Resolved by the House of Representatives (the Senate concurring),

That (1), it is the sense and judgment of the Congress that the United States should not, in any wise, surrender to any other government or authority its jurisdiction over, and control of, the Canal Zone, and its ownership, control, management, maintenance, operation, and protection of the Panama Canal in accordance with existing treaty provisions; and that (2) it is to the best interests — not only of the United States, but, as well, of all nations and peoples — that all the powers, duties, authority, and obligations of the United States in the premises be continued in accordance with existing treaty provisions.”

Representative Vincent J. Dellay of New Jersey, a member of the House Committee on Merchant Marine and Fisheries, joined the supporters of the Flood Concurrent Resolution 205 by introducing its identical text on July 31, 1958. Action on the Flood proposal was left over for the next Congress in 1959.

Representative Flood emphasized in his frank discussions of Panamanian problems in 1957, and again in 1958, his personal and official interest in maintaining friendly relations between the United States and Panama. “Questions at variance between the two countries,” he said, “can be settled better by the two nations at the authorized council table rather than as a result of any effort by either country to pressure the other through processes of international propaganda.”

Panamanian radicals, through their Spanish language press, answered with torrents of abuse, and anti-United States propaganda was intensified. The communist technique of inciting student rebellion was turned on full force against the conservative de la Guardia regime. On the night of July 24, 1957, Panamanian National Guard troops were used to break up a mob of some 2,000 who marched against police headquarters in Panama after Vice President Temis-

toeles Diaz, feuding with the President, had addressed a three-hour political rally. The mob adopted resolutions demanding the President's immediate resignation.

Ten of the demonstrators were jailed, but the mob violence did not alter President de la Guardia's policy of moderation. He would not ask for more treaty revisions, nor suggest that his government should take over the Panama Canal. From his background of education in the United States and his success in business in Panama he realized that his country was not equipped to run the Canal. He would press for more "benefits," which would mean a still larger share of Canal tolls. And he moved to pacify the opposition by urging the United States to hasten implementation of the Eisenhower-Remon Treaty.

Again using the General Assembly of the United Nations as sounding-board, Panama's Foreign Minister, Aquilino E. Boyd, made headlines in Latin America — although scarcely noticed in the North American press — by this declaration on October 2, 1957: "Panama has insisted, periodically and through direct negotiations, on the revision of the terms that regulate our relations with the United States with reference to the Panama Canal." Minister Boyd added that international pacts, whether multilateral or unilateral, "should be revised according to changed relations."

Instead of dying down, the Isthmian uproar was redoubled on December 16, 1957, at the Second Congress of Students in the city of Panama through the voice of Ernesto Castellero, then Vice Minister of Foreign Relations and later Professor of Diplomacy at the University of Panama. Castellero was a leader of the so-called Student Movement, which started in Panama in 1943. Castellero told the Student Congress that the Eisenhower-Remon Treaty of 1955 fell far short of Panama's expectations and hopes. He reasserted Panama's "titular sovereignty" over the Canal Zone and declared that Panama should receive one-half of the gross income of the Canal enterprise.

President de la Guardia said Castellero's 50/50 division of

gross income was “not too realistic,” but the Student Congress adopted resolutions calling on their government to negotiate with the United States for 50/50 sharing of the Canal’s income. This was to be only an immediate objective; later they would fight until “our glorious national emblem flies with all its sovereign majesty over the Panama Canal.”

This manipulation of student emotions — a process in world-wide use by the communist conspiracy — made headline news for anti-American papers in Panama and was well advertised in Latin America. Vice President Nixon was to experience its repercussions on his South American tour in 1958.

Ambassador Arias further expounded the theme of Panamanian sovereignty over the Canal Zone in lecturing before the Foreign Service School of Georgetown University in Washington, April 29, 1958. There he disclosed a further ambition of Panama to demand treaty revision by which the United States would formally recognize Panama’s absolute sovereignty over the Canal Zone.

“Since 1904,” said Ambassador Arias, “the people of Panama have been wishing for a fundamental revision of their relations with the United States The foreign policy of my country during the last fifty years has been to exert every effort to obtain for Panama conditions similar to those granted by the United States to Colombia in January of 1903 I am sure that in the end Panama will attain her purpose.”

(The rejected Hay-Herran Treaty recognized “the general sovereignty of Colombia” over the proposed Canal Zone and permitted administrations by joint tribunals. William Nelson Cromwell’s hand in drafting that treaty I have covered briefly in Chapter II.)

Again, on September 18, 1958, Panama’s sovereignty ambition was expounded in the General Assembly of the United Nations by Aquilino Boyd’s successor as Panama’s Foreign Minister, Miguel J. Moreno:

“Under an agreement of 1903 my country conferred

upon the United States certain juridical powers over one part of our territory for one specific purpose, namely, the construction, maintenance, and protection of an inter-ocean canal. Panama retains its sovereignty in that area, as it does throughout the rest of the territory of the Republic, and that sovereignty has never been the subject of renunciation

“I should like to make it clear that the Panamanian nation wishes to receive all the economic benefits to which it is entitled by reason of the operation of the Panama Canal, which is on the territory of our Republic.”

Tragic reflexes of these sovereignty manifestoes made 1958 a memorable year in Isthmian history.

Chapter 16

“Operation Sovereignty”

“Operation Sovereignty” was the 1958 headline-making title of Panamanian radicals’ continuing campaign against the United States. Ostensibly a demonstration by high school and university students, the back-stage direction was at least in part communist. Fuel for this flame was poured out by Deputy Aleman, chairman of the Foreign Relations Committee of the National Assembly, in asserting that even the \$1,930,000 annuity does not give Panama a “fair share” of Panama Canal revenues.

The student agitation started on May 2 with the planting of Panamanian flags — some accounts said 51, others 72 — at various strategic places in the Canal Zone, one in front of the Administration Building of the Canal Zone government. The raid was so “spontaneous” that Panamanian newspaper photographers were on hand to spread locally and as far away as Soviet Russia the visual proof of “Uncle Sam’s humiliation.”

Inconceivable as it was, the Canal Zone police made no

arrests. United States authorities said the incident should be ignored, but had the flags collected and returned to Panamanian officials, who handed them back to the students. And the students, emboldened by their escape from punishment or reprimand, marched with their flags on the Presidential Palace in Panama on the evening of May 5, 1958, and demanded that President de la Guardia take immediate steps to force recognition of Panamanian sovereignty over the Canal Zone. He appeased the students by promising to ask that the Panamanian flag be flown in the Canal Zone. But this was not enough.

The political opposition then converted the student disorders into a campaign to overthrow the de la Guardia administration. Amidst scenes of wild disorder the students marched on the National Palace. Their ultimatum to President de la Guardia was that he dismiss his Minister of Education, Victor N. Juliao, and the three commanding officers of the Panama National Guard. When this was refused, the students and their non-student communist allies tangled with the Guardsmen on May 19, 1958. One student was killed and 42 of them were counted among the 62 injured, who included 18 Guardsmen and two bystanders. Rioting spread to Colon on May 20. National Guard headquarters there were stormed with stones and bottles. Six Guardsmen and two children were injured.

The Student Federation decreed a 48-hour strike, whereupon President de la Guardia ordered the schools closed. After six days of street fighting and bloodshed, window-shattering, bridge-burning, paralysis of business and transportation, eight killed and some 70 wounded, and a state of siege enforced, the President claimed a "decisive victory" for his policy of moderation. He would meet with the student leaders and a mediation committee headed by the Rector of Panama University.

Net result of "Operation Sovereignty" and continued student rioting was the "voluntary" resignation of the de la Guardia cabinet. Then the students were partially placated

by the replacing of Minister of Education Juliaio by Carlos Sucre, who was one of the negotiating team for the Eisenhower-Reimon Treaty of 1955. The student demand for the scalps of the three chiefs of the National Guard was met by compromise, but this was deferred until the National Assembly met in October, 1958, and President de la Guardia presented a bill to limit the term of National Guard commanders to the incumbency of the President who appoints them.

This promised compromise did not prevent another student uproar in July, 1958, when Dr. Milton S. Eisenhower, official fact-finder for his brother, President Eisenhower, visited Panama for three days. Conspicuously guarded because of the attacks on Vice President Nixon in Lima and Caracas in May, Dr. Milton Eisenhower twice rejected the students' invitation to meet them on their grounds. They refused to visit him in the United States Embassy. They merely picketed the Embassy with such signs as "50% of the Canal," "Milton Go Back to the U.S.A." and "Panama Canal for Panamanians."

Dr. Eisenhower conferred at length with President de la Guardia and members of his Cabinet. The Panamanian communique issued after the conference mentioned among the issues raised by the Panamanians "creation of a better moral climate of cooperation between the peoples of Panama and the United States" and "the flag of Panama in the Canal Zone and adoption of Spanish as the official language in the Canal Zone."

The student agitators were more aggressive in their demands. If Dr. Milton Eisenhower had allowed himself to be forced into a conference, they would have told him that "fundamental revision" of existing treaties between the United States and Panama would have been of first importance. Their published list of "minimum aspirations" included the following:

1. Express reaffirmation by the United States of the sovereignty of the Republic of Panama over the Canal Zone territory.

"2. Liquidation of the Panama Canal Company. [the U.S. Government corporation operating the Panama Canal] because it is a violation of the terms of existing treaties between the two countries.

"3. Substitution of the term 'in perpetuity' in the 1903 Canal Treaty by a period which will be in keeping with the principles of international law.

"4. Sharing on an equality basis of economic benefits resulting from the Canal enterprise.

"5. Express recognition of Panama's civil, penal, fiscal and labor jurisdiction over non-military affairs in the Canal Zone.

"6. Elimination of discriminatory policies in the Canal Zone.

"7. The free use by Panama of the terminal ports of Balboa and Cristobal.

"8. Enforcement in the Canal Zone of the principle of equal pay for equal work.

"9. Preferential use of the Canal Zone market for Panamanian industry and commerce. Elimination of private commercial companies in the Canal Zone.

"10. Raising of the Panamanian flag in the Canal Zone and recognition of Spanish language as official language.

"11. Elimination of United States postage stamps and exclusive use of Panamanian postal service in the Canal Zone.

"12. Refund of the rentals collected by the United States on land formerly owned by the Panama Railroad Co."

A supplementary list of questions which the students said they hoped to discuss with Dr. Eisenhower included:

"6. Cessation of provocative and offensive acts on the part of Canal Zone residents and members of Congress of the United States against national dignity."

"7. Ratification of the stand of the National Congress of Students for the nationalization of the Canal" [by the Republic of Panama.]

Student agitators continued their campaign after the Milton Eisenhower visit and intensified their attacks on the

de la Guardia administration. National Guardsmen nipped a revolutionary plot in the western province of Chiriqui in September, 1958, but the Student Federation countered by serving a four-day strike notice just ahead of the convening of the National Assembly. From the pattern of endemic discord, pictured by the Panamanian press in day-to-day accounts of strikes and strike-threats, a note of caution was sounded in *La Nacion*, organ of the opposition. *La Nacion* was established in 1944 and is credited with the largest circulation of any Panamanian daily — 25,000. Its Director is Temistocles Diaz, who was Vice President in the early part of the de la Guardia term. In the October 3 issue of the *Daily Digest* of news and editorial opinion of Spanish language newspapers in Panama, issued in the Canal Zone, appeared this summary:

LA NACION, October 2

A column in *La Nacion* reports that today's youth should know a little more of Panama's history, particularly about those individuals who now clamor for the peaceful solving of the country's problems. Two of these individuals, who are now Presidential advisers, at one time were plotters of the greatest conspiracy in Panama's political history. One still carries the marks of his attempt to murder Belisario Porras and the other still may carry the bitter memory of his trial for high treason to his country; the latter once asked for intervention of U.S. troops stationed in the Canal Zone. Among the student youth there is none who have thought of either of these two monstrous ideas.

* * *

A summary record of Panama's political instability, gleaned from authoritative sources by Representative Daniel J. Flood, was included in his address to the House on April 2, 1958. For history's sake it is reprinted here from the *Congressional Record*, with two additional items set within brackets.

"November 14, 1904: Seditious and mutinous conduct

of the army of Panama (now National Police), with discovery of a plot to arrest President Amador, which was averted by diplomatic representations of the United States to preserve constitutional order as provided by treaty and the constitution of Panama.

“October 11, 1925: Riot in Panama City with one person killed, 11 wounded, requiring assistance by United States Army to quell.

“January 2, 1931: Revolution in Panama, requiring intervention of the United States Minister to save lives of Panamanian officials and the President, who were held prisoners, and resulting in the enforced resignation of the President.

“November 22, 1940: National Assembly adopted new constitution proposed by President Arnulfo Arias.

“October 9, 1941: Bloodless revolution ousted President Arias and installed Ricardo Adolfo de la Guardia as Provisional President.

[Arnulfo Arias was accused of making Panama a base for pro-Hitler propaganda and obstructing United States preparations for defense of the Panama Canal. He was imprisoned temporarily in Panama and allowed to go into exile in Managua. Former President Ricardo J. Alfaro, an exile from the Arnulfo Arias dictatorship, in a public statement in New York in June, 1940 said: “Democratic government has ceased to exist in Panama. It is an outright obligarchy. Trickery and corruption had fixed things so that the Government party alone was represented at the voting booths. In the assaults against suffrage and the rights of the people, clubs, bayonets, machine guns and overcrowded jails got the upper hand.”]

“Late 1944: Suspension of constitution caused 14 Panamanian Assemblymen to flee to the Canal Zone.

“June 15, 1945: Constituent Assembly met, received resignation under duress of de la Guardia as Provisional President and elected Enrique A. Jimenez as his successor.

“December 1, 1945: Armed revolt, for which former

President Arnulfo Arias was thrown into prison charged with participation. He was acquitted on July 29, 1946.

"March 1, 1946: Constituent Assembly approved new constitution replacing the totalitarian instrument of Arnulfo Arias.

[November 14, 1946: Ricardo J. Alfaro, as chairman of Panama's delegation to the United Nations, told the Trusteeship Committee of the UN General Assembly Panama retained its sovereignty over the Panama Canal Zone.]

"December 22, 1947: In the midst of disorder, National Assembly unanimously rejected a defense base treaty with the United States.

"February 1948: United States announced withdrawal of all troops from military bases in the Republic as a consequence of the indicated rejection, and at considerable financial loss.

"July 28, 1949: First Vice President Daniel Chanis, Jr. succeeded ailing President Domingo Diaz Arosemena, on latter's resignation.

"November 18, 1949: President Chanis accused Colonel Jose Remon, Chief of Police, of operating illegal monopolies, and dismissed him.

"November 20, 1949: President Chanis was forced to resign under pressure of National police headed by Remon, and Vice President Roberto F. Chiari was sworn in as President.

"November 22, 1949: National Assembly voted for reinstatement of Chanis as President.

"November 24, 1949: Supreme Court upheld the claim of Chanis, but with support of national police former President Arnulfo Arias again became President on the contention of his sponsors that at the preceding election he had in fact defeated his opponent, Diaz, whose election had been officially declared, followed by his assumption of the Presidency.

"November 25, 1949: United States suspended relations

with Panama because of overthrow of 'constituted authorities.'

"November 26, 1949: Chanis and two other former Presidents fled to Canal Zone to escape arrest.

"December 14, 1949: United States recognized the Arnulfo Arias regime.

"May 7, 1951: President Arnulfo Arias decreed suspension of the constitution and dissolution of the National Assembly.

"May 10, 1951: after bitter street fighting President Arnulfo Arias surrendered to Colonel Remon, Chief of National Police. Impeachment by National Assembly of President Arias and naming of First Vice President Alcibiades Arosemena as constitutional President resulted, and was upheld by Panama's Supreme Court.

"October 1, 1951: Jose Antonio Remon inaugurated as President.

"January 2, 1955: President Remon assassinated.

"January 3, 1955: First Vice President Jose Ramon Guizado sworn in as President.

"January 15, 1955: President Jose Ramon Guizado removed from office and placed under arrest charged with being implicated in assassination of President Remon."

Guizado was impeached, found guilty, and sentenced by the National Assembly to 10 years' imprisonment, of which he served only a portion and was released after all seven persons who were tried as principals, agents, or accessories to the Remon assassination were given jury acquittals.

* * *

The Republic of Panama credited in 1903 with a population of 262,300, now claims officially 1,000,000. A very small minority are of Spanish descent; the rest are native Indians and descendants of the thousands of West Indian Negroes who were brought in as laborers in Canal construction days. Another minority are an immigrant mixture from all parts of the earth attracted to the Isthmus as migrants were drawn to Suez in its early days.

The rising generation of Panamanians, ignorant of or misinformed about the history of the Caesarean operation that begot their Republic, seem not to realize that the Panama Canal never would have been built except for the stability of government guaranteed when the 1903 treaty placed perpetual and exclusive sovereignty over the Canal Zone in the United States.

All such agitation ignores the essential fact that the rights of the United States to the Canal Zone do not depend upon a terminable lease, as some misinformed people believe, but upon an *absolute grant* in the Hay-Bunau-Varilla Treaty — the birth certificate of the Panama Republic — signed November 18, 1903, ratified by Panama December 2, 1903, and made effective by exchange of ratifications in Washington February 26, 1904. The *grant, in perpetuity*, was bought and paid for by the \$10,000,000 given by the United States to Panama, and the title has never been surrendered by the giveaway treaties of 1936-39 and 1955. The still indelible points of the 1903 treaty to be remembered are:

ARTICLE II: The Republic of Panama *grants* to the United States *in perpetuity* the use, occupation and control of a zone of land and land under water for the construction, maintenance, operation, sanitation and protection of said Canal of the width of ten miles extending to the distance of five miles on each side of the center line of the route of the Canal to be constructed . . . with the proviso that the cities of Panama and Colon and the harbors adjacent to said cities . . . shall not be included within this grant . . .

ARTICLE III: The Republic of Panama grants to the United States all the rights, power and authority within the zone mentioned and described in Article II of this agreement . . . which the United States would possess and exercise if it were the sovereign . . . to the *entire exclusion* of the exercise by the Republic of Panama of any such sovereign rights, power or authority.